

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6b

Date of Meeting June 9, 2009

DATE: June 4, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Elizabeth Morrison, Sr. Manager, Corporate Finance

SUBJECT: Second Reading and Final Passage of Resolution No. 3620 authorizing the issuance and sale of Subordinate Lien Revenue Bond Anticipation Note, 2009 in the principal amount of not to exceed \$100,000,000.

BACKGROUND

On May 13, 2008, the Commission authorized funding for the construction of the Consolidated Rental Car Facility (CRCF). Source of funding at the time of authorization was expected to be customer facility charges (CFCs) and stand-alone CFC-backed bonds to be issued in 2008. CFC cash was expected to fund a portion of the project and construction of the facility began in June 2008.

On July 1, 2008, the Commission passed Resolution No. 3600, as amended, authorizing the issuance of CFC-backed revenue bonds to fund all of the CRCF project costs. These bonds would have been secured solely by CFC revenues. Due to deteriorating bond market conditions resulting from the U.S. financial crisis, the Port decided not to proceed with the bond issue at that time. Credit markets in general and the taxable municipal market in particular worsened toward the end of 2008 and the Port suspended this transaction until credit markets improved, although the project continued to be funded with CFC collections and funds on hand.

On December 15, 2008, the Commission approved the suspension of the project for up to one year, and staff began developing an alternative financing strategy.

On May 12, 2009, staff presented a funding plan to fully fund the CRCF project with an estimated opening Customer Facility Charge of \$6.50. The plan includes the issuance of Port Revenue Bonds and the issuance of Bond Anticipation Notes in form of lines of credit with Bank of America and U. S. Bank.

SUBORDINATE LIEN REVENUE BOND ANTICIPATION NOTE, 2009

The line of credit would be issued on the Port's Subordinate Lien as a Bond Anticipation Note, due on December 31, 2011. The Note is a nonrevolving line of credit and can be drawn upon to pay costs related to the CRCF project of up to \$100,000,000. Any draws on the Note will accrue

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interest at a taxable rate equal to the London Interbank Offer Rate (LIBOR) plus 1.25 percent (this is a variable rate of interest currently estimated at approximately 2 percent) and undrawn portions of the Note will carry a fee of 0.60 percent. Cost of issuance is estimated to be less than 1 percent. The Note can be cancelled or paid down with cash or refunding bonds at any time. The Note is expected to be used as a back-up funding source in the event that other funding sources for the CRCF are not available on favorable terms. The Note may be prepaid prior to its scheduled maturity without penalty.

This Note differs from the Port's existing variable rate debt in that the Note is placed directly with the Bank of America, N.A. The Port's other variable rate debt is backed by a bank provided letter-of-credit (LOC) and sold to investors through a weekly remarketing process. In the current market, LOCs have been difficult and expensive to secure. Periodic concerns about an LOC provider have caused investors to put bonds back to the issuers. With a direct loan, the Port does not need to secure an LOC and is not exposed to investors concerns. Bank of America N.A. is the primary banking subsidiary of Bank of America Corporation and carries long-term debt ratings of Aa3, A+ and A+.

RESOLUTION NO. 3620

Resolution No. 3620 authorizes the issuance of the Note and delegates to the Designated Port Representative the authority to draw upon the Note. The Note is issued on parity with other Subordinate Lien Bonds and Notes and Resolution No. 3620 is similar to other Subordinate Lien resolutions in all material respects.

REQUESTED ACTION

Second Reading and Final Passage of Resolution No. 3620 authorizing the issuance and sale of Subordinate Lien Revenue Bond Anticipation Note, 2009 in the principal amount of not to exceed \$100,000,000.